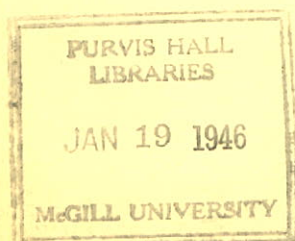


DOMINION STORES

LIMITED

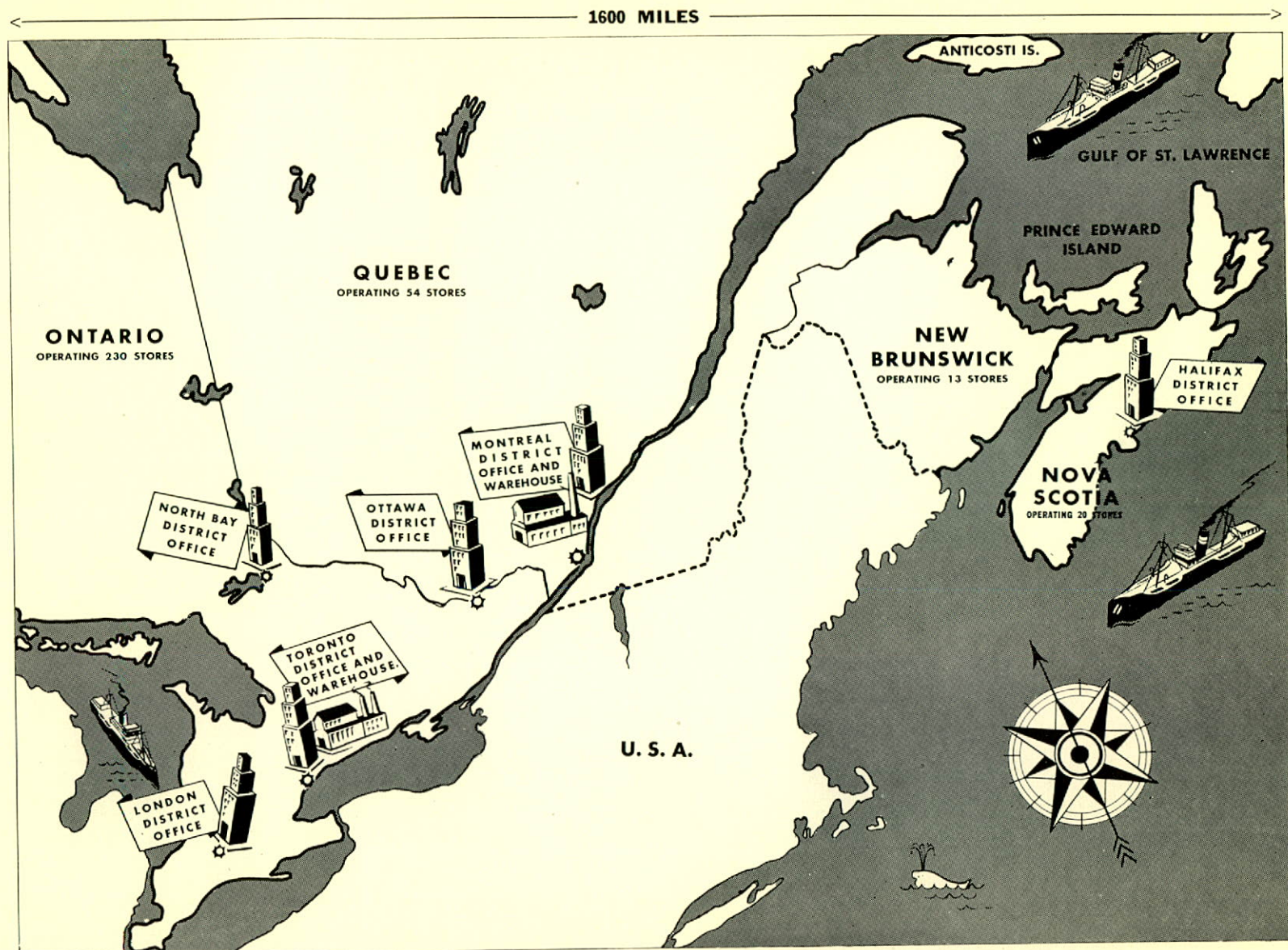


Twenty-First
ANNUAL REPORT
1940



DOMINION STORES LIMITED

Twenty-First
ANNUAL REPORT
1940



The above map indicates the vast area over which "Dominion" operates.

ANNUAL REPORT

TO THE SHAREHOLDERS OF DOMINION STORES LIMITED

THE report of the operations of your Company for the year 1940, together with the Balance Sheet, Statement of Income and Expenditure, and Statement of Surplus Account, is submitted herewith.

The policies and plans discussed in the report covering the year 1939 were further advanced and enlarged during 1940. Modernization throughout the chain continued. More unprofitable stores were closed while new self-service stores were opened. Further definite steps were taken to strengthen the control of the operation and to ensure a sound performance.

SALES AND PROFITS

Sales for the year at \$18,120,945.10 were 8.98% lower than in 1939, but we had an operating profit of \$324,015.99 as compared with an operating loss of \$19,658.40 the previous year. On the average there was a decrease of 90, or 20.93%, in the number of stores operated, but sales per store increased 15.51%.

Net income for the year, before Dominion and Provincial Income Taxes but after all other charges, including a provision of \$115,551.28 for depreciation, was \$157,668.73 as compared with a loss of \$125,207.63 in 1939. Net profit to be carried to Surplus Account, after providing for Dominion and Provincial Income Taxes and Dominion Excess Profits Tax at a rate of 35%, was \$100,818.73.

The success of the improvement and modernization programme referred to in last year's report, as reflected in the results for 1940, indicates that the operations of the Company, for reasons peculiar to itself, were depressed during the years 1936 to 1939 inclusive, or the standard period used as a base in determining normal profits under the Excess Profits Tax Act. Accordingly, the Company will apply for special consideration from the Board of Referees appointed under that Act and steps have been taken towards filing an application at the appropriate time. In making provision for Excess Profits Taxes on the accompanying Balance Sheet, it was assumed that such an application would be successful.

In general, improvement in results for 1940 was due very largely to the increased efficiency of the operation as a whole. While, as is noted later on in this report, there has been a rise in the average wages paid to employees, in other directions economies in operating expenses have been possible. The lowering of discriminatory taxation in the Province of Quebec was of benefit to 1940 results to the extent of \$9,072.82. Elsewhere in this report, credit to prior years' operations as a result of new tax legislation in that Province is indicated.

Operating expenses for 1940 include all costs of doing business as well as charges incidental to opening and closing stores and certain non-recurring items occasioned by necessary changes in operating policies.

As a result of the profit for the year and certain surplus adjustments, as shown in Statement No. 3, the deficit of \$150,641.14 at December 31st, 1939, has been converted to a surplus of \$56,342.63 in the accompanying Balance Sheet.

FINANCES

Although substantial capital outlays, due to the opening of self-service units, were made during the year, working capital at \$2,156,524.63 increased \$114,661.76 over 1939. The ratio of current assets to current liabilities was 5.05 to 1 at the end of 1940.

Your Company was glad to be able to do its part in support of the common war effort by subscribing for \$150,000.00 of Second War Loan bonds.

Additional Fire Insurance coverage has justified a reduction in Fire Loss Reserve from \$40,000.00 to \$15,000.00.

The net worth of your Company at December 31st, 1940 was \$3,156,682.59, equal to \$11.27 per share issued and outstanding. Of that amount \$7.70 is represented in net working capital.

OPERATIONS

All phases of the modernization programme outlined in the report for 1939 were advanced during the past year and are continuing in 1941. There were 69 stores closed in 1940 and 15 new stores opened. At December 31st, 1940, the Company had in operation 63 modernized self-service stores. Progress, we believe, is being made as rapidly as is possible, considering the time necessary for selection of locations, equipping stores, and training personnel required for self-service operation.

Some idea of the magnitude of the problems incident to the reconstruction of your Company's business may be gained from the statement that during the years 1938 to 1940, inclusive, it has been necessary to close 234 stores. At the end of 1940, 324 stores were in operation.

PERSONNEL

In the belief that loyalty and efficiency are largely the result of fair and sympathetic relations with its employees, your Company, in continuance of a set policy, has tried to take every opportunity to improve conditions for its personnel.

Average wages have been increased. For example, a comparison of average weekly salaries paid to store employees as at December 31st, 1940 shows an increase over December 31st, 1939 of 12% in respect to store managers and of 20% in respect to store clerks. Vacations with full pay were extended to cover all full-time employees. Hours of labour have been the subject of constant study, and improvements have been instituted where practicable. All employees taking temporary training in the Canadian Army Reserve have been given special financial consideration.

A total of 91 employees have already joined the Permanent, Army, Navy, and Air Forces. The Company is proud of these loyal Canadians, and also of its other employees, many of whom, with their families, are voluntarily serving their country, not only in the performance of their daily tasks but in special activities during their off-duty hours.

The Company is co-operating with the Government in its plans for the promotion of the sale of War Savings Certificates, both to employees and to customers.

Supplementary to our ordinary training courses, an educational programme on more general lines was inaugurated during the year. This should prove of great value to the employees personally and should further react to the benefit of the customers and the Company.

Service Pins, which are highly prized by our staff, were presented to employees during the year as follows: 20 years' service—13; 15 years' service—15; 10 years' service—40, and 5 years' service—75.

Our house organ, "The Cracker Barrel", is now well established as a medium for keeping our employees in touch with what is going on within the organization and for assisting in the development of that esprit de corps on which we lay a good deal of stress.

We are glad to take this opportunity to express, in this public way, our appreciation of the loyalty of the employees and gratefully to acknowledge the many indications of increasing goodwill within the organization.

PUBLIC RELATIONS

Your Company has continued its efforts to co-operate in full measure with producers and suppliers of foodstuffs and with Provincial and Dominion Governments.

Present abnormal conditions increase the problems of distribution. Your Company is doing its best, and with gratifying results, to assist all those engaged in the production and distribution of food towards a better understanding of our mutual problems so that satisfactory solutions may be found.

The year 1940 saw a decided improvement in the general attitude towards chain store organizations. Evidence of this appeared in the lowering of discriminatory taxation in the Province of Quebec. We feel amply rewarded for the effort which has been made, along with other organizations, to bring about a better understanding on the part of all concerned.

Through the proper conduct of its affairs, your Company hopes to continue to merit the support of suppliers, employees, the buying public, and Government bodies. We feel that we have a useful part to play in Canadian business. As public appreciation of that will depend on our performance, the entire effort of your Management is being directed to seeing that the performance is a sound one.

On behalf of the Board of Directors,

J. WILLIAM HORSEY,
President.

D O M I N I O N S T

Balance Sheet AS AT

ASSETS

Current:

Cash on Hand and in Banks.....	\$ 511,841.61	
Deposit with a Trust Company.....	75,000.00	
Guaranteed Call Loans.....	100,000.00	
Dominion of Canada War Loan Bonds at Cost (Approximate Market Value \$150,403.13).....	150,593.75	
Accounts Receivable (Less Reserve for Bad Debts).....	119,935.76	
Merchandise: (Inventories of merchandise in warehouses and meats and fruit in stores determined by physical count on 28th December, 1940; groceries in stores by physical count prior to 28th December and adjusted to that date. All inventories valued at the lower of cost or market).....	1,730,789.23	
		\$2,688,160.35
Deferred Charges and Prepaid Expenses		66,332.30
Mortgage Receivable		3,000.00

Fixed: (At Cost—less Amounts Written Off)

Furniture, Fixtures and Improvements to Leasehold Premises	\$1,345,249.31	
Less: Reserve for Depreciation.....	805,572.27	
		539,677.04
Buildings	422,968.61	
Less: Reserve for Depreciation.....	141,485.61	
		281,483.00
Automobiles	2,216.00	
Less: Reserve for Depreciation.....	615.93	
		1,600.07
Land		123,064.55
		945,824.66
Goodwill		1.00

\$3,703,318.31

Approved on behalf of the Board:

R. O. JOHNSON }
J. W. HORSEY } Directors

Auditor

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Company's affa

Toronto, 21st February, 1941.

RES LIMITED

STATEMENT No. 1

31st DECEMBER, 1940

LIABILITIES

Current:

Accounts Payable and Accrued Charges.....	\$ 442,422.67	
Taxes Payable and Accrued.....	32,363.05	
Provision for Dominion and Provincial Income Taxes.....	\$ 37,400.00	
Provision for Dominion Excess Profits Tax.....	19,450.00	
	<u>\$ 56,850.00</u>	\$ 531,635.72

Reserve for Future Fire Losses 15,000.00

Capital Stock and Surplus

Capital Stock—

Authorized:

50,000 shares 6½% Cumulative Preferred stock of a Par Value of \$100.00 each.

1,000,000 shares Common Stock of no Par Value.

Issued:

280,014 Shares Common Stock..... 3,100,339.96

Surplus (Statement No. 3)..... 56,342.63 3,156,682.59

Note: Owing to the impracticability of a mid-week closing this balance sheet and accompanying financial statements include receipts and disbursements up to 28th December.

\$3,703,318.31

Report TO THE SHAREHOLDERS

We examined the books and accounts of Dominion Stores Limited for the year ended 31st December, 1940 and we have obtained all the explanations which we have required.

and report that, in our opinion, the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company, according to the best of our information and the explanations given to us and as shown by the books of the Company.

(Signed) McDONALD, CURRIE & CO.
Chartered Accountants.

DOMINION STORES LIMITED

Income and Expenditure

For the Year Ended 31st December, 1940

Sales		\$18,120,945.10
Cost of Sales, Selling and Administrative Expenses Other Than Those Shown Below	\$15,742,518.28	
Wages and Salaries, Other Than Executive.....	1,975,026.30	
Taxes and Licenses (excepting Income Taxes).....	79,384.53	
		<u>17,796,929.11</u>
Operating Profit		324,015.99
Add: Interest Earned.....		<u>7,676.26</u>
		\$ 331,692.25
<i>Deduct:</i>		
Provision for Depreciation of Fixed Assets.....	\$ 115,551.28	
Executive Salaries	49,400.68	
Directors' Fees	1,440.00	
Legal Fees	7,631.56	
		<u>174,023.52</u>
		\$ 157,668.73
Provision for Dominion and Provincial Income Taxes.....	37,400.00	
Provision for Dominion Excess Profit Tax.....	19,450.00	
		<u>56,850.00</u>
Net Profit for Year.....		<u>\$ 100,818.73</u>

Surplus Account

As at 31st December, 1940

Balance at Debit at 31st December, 1939.....	\$150,641.14
<i>Deduct:</i> Adjustments relative to prior years:	
Refund Montreal and Quebec Discriminatory Taxes.....	\$54,955.07
Reduction in Reserve for Future Fire Losses.....	25,000.00
Other	26,209.97
	<u>106,165.04</u>
Adjusted Debit Balance as at 31st December, 1939.....	\$ 44,476.10
Net Profit for Year.....	<u>100,818.73</u>
Balance at Credit 31st December, 1940.....	<u>\$ 56,342.63</u>

DOMINION STORES LIMITED

Sullivan Street, TORONTO, 2

Directors :

STEWART G. BENNETT
MME. PIERRE F. CASGRAIN
ROLPH R. CORSON
FRANCOIS FAURE

J. WILLIAM HORSEY
JOHN B. JAMESON
RICHARD O. JOHNSON
N. L. NATHANSON

E. GORDON WILLS

Officers :

<i>President</i>	J. WILLIAM HORSEY
<i>Chairman of the Board</i>	E. GORDON WILLS
<i>Vice-President</i>	RICHARD O. JOHNSON
<i>Vice-President</i>	LOUIS D. SQUAIR
<i>Secretary-Treasurer</i>	FRED McCONNELL

Transfer Agents :

THE TRUSTS AND GUARANTEE COMPANY LIMITED, TORONTO, CANADA.
THE ROYAL TRUST COMPANY, MONTREAL, CANADA.

Registrars :

CHARTERED TRUST & EXECUTOR COMPANY, TORONTO AND MONTREAL.

Bankers :

THE IMPERIAL BANK OF CANADA
THE CANADIAN BANK OF COMMERCE

THE BANK OF NOVA SCOTIA
THE BANK OF TORONTO

BANQUE CANADIENNE NATIONALE

DOMINION STORES LIMITED

Comparative Balance Sheet

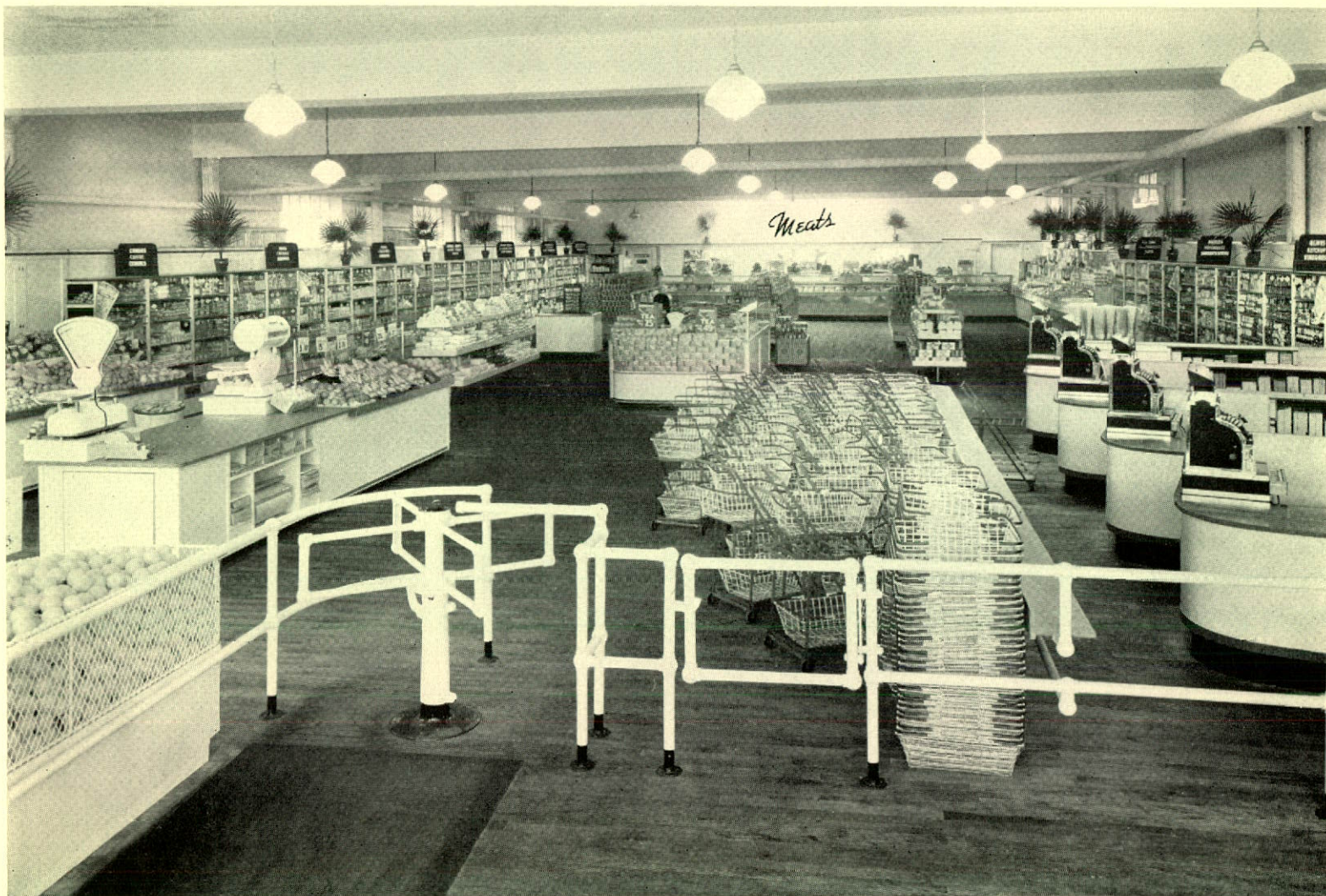
<i>Current:</i>	A S S E T S	31st December	
		1940	1939
Cash on Hand and in Banks.....		\$ 511,841.61	\$ 649,391.00
Call Loans and Deposit with a Trust Company.....		175,000.00	326,200.00
Dominion of Canada War Loan Bonds.....		150,593.75	
Accounts Receivable (Less Reserve for Bad Debts).....		119,935.76	186,556.07
Merchandise		1,730,789.23	1,377,469.84
TOTAL CURRENT ASSETS.....		\$2,688,160.35	\$2,539,616.91
Deferred Charges and Prepaid Expenses.....		\$ 66,332.30	\$ 47,040.49
Mortgage Receivable		3,000.00	
Buildings, Land, and Fixtures (Less Depreciation Reserves).....		945,824.66	900,794.46
Goodwill		1.00	1.00
		<u>\$3,703,318.31</u>	<u>\$3,487,452.86</u>
<i>Current:</i>	L I A B I L I T I E S		
Accounts Payable and Accrued Charges.....		\$ 442,422.67	\$ 456,043.65
Taxes Payable and Accrued (Excepting Income Taxes).....		32,363.05	41,710.39
Provision for Dominion and Provincial Income Taxes.....		37,400.00	
Provision for Dominion Excess Profits Tax.....		19,450.00	
TOTAL CURRENT LIABILITIES.....		\$ 531,635.72	\$ 497,754.04
Reserve for Future Fire Losses.....		\$ 15,000.00	\$ 40,000.00
Capital Stock		3,100,339.96	3,100,339.96
Surplus (1939 Deficit).....		56,342.63	†150,641.14
		<u>\$3,703,318.31</u>	<u>\$3,487,452.86</u>

†—Deficit 1939

DOMINION STORES LIMITED

Comparative Statement of Income and Expenditure and Surplus

	<i>Year Ended 31st December</i>	
	1940	1939
Sales	\$18,120,945.10	\$19,909,039.58
Cost of Sales, Selling and Administrative Expenses	\$15,742,518.28	\$17,694,707.66
Wages and Salaries, Other than Executive...	1,975,026.30	2,101,838.31
Taxes and Licenses (Excepting Income Taxes)	79,384.53	132,152.01
	17,796,929.11	19,928,697.98
Operating Profit (1939 Operating Loss).....	\$ 324,015.99	*\$ 19,658.40
Add: Interest Earned (1939 Deduct).....	7,676.26	9,995.58
	\$ 331,692.25	*\$ 9,662.82
Deduct: (1939 ADD:)		
Provision for Depreciation of Fixed Assets	\$ 115,551.28	\$ 60,580.91
Executive Salaries	49,400.68	46,666.64
Directors' Fees	1,440.00	1,620.00
Legal Fees	7,631.56	6,677.26
	\$ 174,023.52	\$ 115,544.81
Profit before Provision for Income Taxes (1939 Loss).....	\$ 157,668.73	*\$ 125,207.63
Provision for Dominion and Provincial Income Taxes and Dominion Excess Profits Tax	56,850.00	
Net Profit for Year (1939 Loss).....	\$ 100,818.73	*\$ 125,207.63
Surplus at End of Year (1939 Deficit)	\$ 56,342.63	†\$ 150,641.14
*—Loss 1939 †—Deficit 1939		



Interior View of a typical new "Dominion" Self Serve

